GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:644
ANSWERED ON:21.02.2003
COMMITTEE ON CORPORATE AUDIT AND GOVERNANCE
P.D. ELANGOVAN;V. VETRISELVAN

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Government have accepted the recommendations of Committee on Corporate Audit and Governance to set up a Serious Frauds Investigation Office;

(b) if so, the details thereof and mode of operation of this office;

(c) the details of other recommendations made by the Committee; and

(d) the reaction of the Government thereto?

Answer

MINISTER OF FINANCE AND COMPANY AFFIARS (JASWANT SINGH)

(a) Yes, Sir.

(b) The Serious Fraud Investigation Office (SFIO) is conceived as a multidisciplinary unit capable of investigating corporate white collar crime professionally. The SFIO will consist of officers possessing experience in the fields of Company Law, Income Tax, Information Technology, etc.

(c) & (d) The Committee has, inter alia, made recommendations on the aspects like disqualifications for audit assignments, prohibition of non-audit services, certification of annual audited accounts by Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), setting up of independent Quality Review Board etc.

Statement referred to in part (c) of Lok Sabha Unstarred Question No. 644 for answer on 21.2.2003.

The Committee on Corporate Audit and Governance has made the following main recommendations.

- Disqualifications for audit assignments;
- prohibited non-audit services;
- Independence Standards for Consulting and Other Entities that are affiliated to Audit Firms;
- Compulsory Audit Partner Rotation;
- Auditor`s disclosure of contingent liabilities;
- Auditor`s disclosure of qualifications and consequent action;
- Management`s certification in the event of auditor`s replacement;
- Auditor`s annual certification of independence;
- Appointment of auditors;
- CEO and CFO certification of annual audited accounts;
- Setting up of independent Quality Review Board;
- Proposed disciplinary mechanism for auditors;
- Defining an independent director;
- Percentage of independent directors;
- Minimum board size of listed companies;
- Disclosure on duration of board meetings / Committee meetings
- Tele-conferencing and video conferencing;
- Additional disclosure to directors;
- Independent directors on Audit Committees of listed companies;
- Audit Committee charter;
- Remuneration of non-executive directors;
- Exempting non-executive directors from certain liabilities;
- Training of independent directors;